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UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES

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*Ex parte* GEOFFREY B. RHOADS

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Appeal 2007-2628  
Application 09/804,679  
Technology Center 2600

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Decided: November 29, 2007

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Before KENNETH W. HAIRSTON, ROBERT E. NAPPI, and KARL D.  
EASTHOM, *Administrative Patent Judges*.

EASTHOM, *Administrative Patent Judge*.

DECISION ON APPEAL

1 This is a decision on appeal under 35 U.S.C. § 134(a) from the Final  
Rejection of claims 1-9. We have jurisdiction pursuant to 35 U.S.C. § 6(b).

We affirm.

BACKGROUND

The claims are directed to a method of internet distribution of video  
including exchanging a fee and watermarking of the video. Watermarking  
occurs “on the fly”, which is during transmission. Watermarks on videos are  
digital messages that contain a variety of types of information that can

include any manner of information related to the video or transaction such as an identifier of the consumer, the date, or an identifier of the internet sites from which or to which the selected video is provided.

Claims 1-6 are illustrative:

1. A method for internet distribution of video comprising:  
displaying to a consumer a listing of video titles;  
receiving a signal indicative of a video title selected by the user;  
exchanging a fee;  
watermarking the video on-the-fly; and  
transmitting the video to the consumer.
2. The method of claim 1 in which the watermarking includes watermarking the video with at least one data from the list comprising: an identifier of the date, an identifier of an internet site from which the selected video is provided, an identifier of the consumer, and an identifier of an internet address to which the selected video is transmitted.
3. The method of claim 2 which includes watermarking the video with at least two data from said list.
4. The method of claim 2 which includes watermarking the video with at least three data from said list.
5. The method of claim 2 which includes watermarking the video with all four data from said list.
6. The method of claim 2 in which the watermarking includes watermarking with an identifier of the date.

#### THE REFERENCES

Moskowitz	US 5,822,432	Oct. 13, 1998
Kenner	US 5,956,716	Sept. 21, 1999

### THE REJECTIONS

Claims 1-2 and 8 stand rejected under 35 U.S.C. § 102(e) as being anticipated by Kenner.

Claims 3-4, 7, and 9 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Kenner and Moskowitz.

Claims 6 stands rejected under 35 U.S.C. § 103(a) as unpatentable over Kenner and Fridrich.

Claim 5 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Kenner and Moskowitz, further in view of Fridrich.

### PRINCIPLES OF LAW

Unless the steps of a method actually recite an order, the steps are not ordinarily construed to require one. *See Loral Fairchild Corp. v. Sony Corp.* 181 F.3d 1313, 1322, 50 USPQ2d 1865, 1870 (Fed. Cir. 1999) (stating that “not every process claim is limited to the performance of its steps in the order written”). However, such a result can ensue when the method steps implicitly require that they be performed in the order written. *See Loral*, 181 F.3d at 1322, 50 USPQ2d at 1870 (stating that “the language of the claim, the specification and the prosecution history support a limiting construction[, in which the steps must be performed in the order written,] in this case”); *Mantech*, 152 F.3d at 1376, 47 USPQ2d at 1739 (holding that “the sequential nature of the claim steps is apparent from the plain meaning of the claim language and nothing in the written description suggests otherwise”). In this case, nothing in the claim or the specification directly or implicitly requires such a narrow construction

*Interactive Gift Express Inc. v. Compuserve Inc.*, 256 F.3d 1323, 1342-1343 (Fed. Cir. 1991)(holding no order in method steps required). *See also Altris, Inc. v. Symantec Corp.*, 318 F.3d 1363, 1369 (2003)(citing *Interactive Gift*, reversing trial court, and holding steps not required to be in order written if they can be logically performed in another order).

We have cautioned against reading limitations into a claim from the preferred embodiment described in the specification, even if it is the only embodiment described, absent clear disclaimer in the specification. *See Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 906 (Fed.Cir.2004) ( “Even when the specification describes only a single embodiment, the claims of the patent will not be read restrictively unless the patentee has demonstrated a clear intention to limit the claim scope using ‘words or expressions of manifest exclusion or restriction.’ ”); *Teleflex, Inc. v. Ficosa N. Am. Corp.*, 299 F.3d 1313, 1325 (Fed.Cir.2002).

*In re American Academy of Science Tech Center*, 367 F.3d 1359, 1370 (Fed. Cir. 2004).

The Examiner bears the initial burden of presenting a prima facie case of obviousness. *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992). If that burden is met, then the burden shifts to the Appellants to overcome the prima facie case with argument and/or evidence. *See Id.*

The Examiner’s articulated reasoning in the rejection must possess a rational underpinning to support the legal conclusion of obviousness. *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006).

“[W]hen a patent claims a structure already known in the prior art that is altered by the mere substitution of one element for another known in the field, the combination must do more than yield a predictable result.” *KSR Int’l Co. v. Teleflex Inc.*, 127 S.Ct. 1727, 1740 (2007).

For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill. *Sakraida and Anderson’s-Black Rock* are illustrative – a court must ask whether the improvement is more than the predictable use of prior art elements according to their established functions.

*Id.* at 1740 .

## DISCUSSION

### Claims 1-2 and 8

The limitation at dispute in claim 1 is "exchanging a fee." Appellant argues that the step of "exchanging a fee" requires a payment that must occur before transmitting the video (App. Br. 7). Appellant argues: "Rather than permitting charges to accrue, and checking that a cost limit is not exceeded, applicant's claimed methods call for actually '*exchanging a fee*' before transmitting the video to the consumer ... No accrual and later billing – as taught by Kenner – is involved" (App. Br. 7).

The Examiner is correct that the method steps do not require "that the payment for a video title be in advance of its delivery." (Answer 8). Nothing in the claim implicitly or explicitly requires that the fee must be exchanged before the video is transmitted. "Unless the steps of a method

actually recite an order, the steps are not ordinarily construed to require one...In this case, nothing in the claim or the specification directly or implicitly requires such a narrow construction.” *Interactive Gift* at 1342-1343 (citations and quotations omitted). Logically, the video could be transmitted before the fee is exchanged. *Id.* at 1343 (“Logically, information could be sent after the request is made.”)

Turning to the Specification, we also find that the Specification indicates that the claims do not require such an order, contrary to Appellant’s argument (App. Br. 7). The Specification states:

On receipt of the token data, the website immediately routes the token data to the identified bank, together with an identifier of the media provider or account to which the funds represented thereby are to be credited ... If the numbers are valid, the bank updates its disk-based records to indicate the three tokens have been spent and that the bank now owes the media supplier 30 cents, which it may *either pay immediately (e.g. by crediting to an account identified by the media provider) or as one lump sum at the end of the month*. The bank *then sends a message to the web site confirming that the tokens were valid and credited to the requested account*.

*In response*, the web site begins delivery of the requested video to the consumer.

(App. Br. 5; Specification 4:8-19 )(emphasis supplied).

The token-based payment method is but one of many that can be employed; the literature relating to on-line payment mechanisms is extensive, and *all such systems can generally be employed*.

(Specification 5:26-28)(emphasis supplied).

The Specification discloses several embodiments, one of which indicates paying *a lump sum at the end of the month*, which is logically after a video transmission. Further, unlike the Specification, the claim fails to recite limiting language pertaining to delivery of the video *in response* to a payment or token credit. Still further, as acknowledged by Appellant, “*all [prior art] systems can generally be employed.*” Consequently, we decline to limit the claims to any particular embodiment in the specification. *American Academy*, 367 F.3d at 1369 (“We have cautioned against reading limitations into a claim from the preferred embodiment described in the specification, even if it is the only embodiment described, absent clear disclaimer in the specification.”)(citations omitted).

We also find that even if a specific order in the method steps were required, Kenner would anticipate the claim. Kenner states:

This account may be in the form of a subscription, a debit account, or *any of numerous other known payment arrangements*. When the user *accesses subscribed-to content through the system, the account can be updated*. In this manner, the user *can be billed for usage in any manner desired*, subscription information can be tracked and preserved, authorization levels can be set, and data protection to prevent unauthorized use can be prevented.

(Col. 6, ll. 19-25)(emphasis supplied).

We find that *access[ing] subscribed-to content with account [update]* necessarily occurs prior to transmittal of the video to the consumer; and because Kenner discloses *any of numerous or other known payment arrangements*, we further find that the argued claimed order of fee exchange

prior to video transmittal to the consumer is met. For further support of this interpretation, we note that Kenner discloses that if the consumer lacks a valid subscription or exceeds a charge limit, the video download will be prevented (col. 24, ll. 50-63)<sup>1</sup>.

Appellant also argues that an “accrual” as disclosed in Kenner is not the same as a “payment” required by claim 1 (App. Br. 8) because interpreting “exchange of a fee” as an accrual is too expansive (Reply Br. 2)(citing *Phillips v. AWH*, 415 F.3d 1303 (Fed. Cir. 2005)). The Examiner argues to the contrary stating that agreement of a financial exchange, such as a charge accrual or update as disclosed by Kenner, is a fee exchange (Answer 8).

After careful consideration of the arguments, we find the Examiner’s interpretation and reasoning to be the better of the two. The Examiner’s interpretation is consistent with the rationale of *Phillips*, because the Examiner’s interpreted meaning of “exchanging a fee” is consistent with Appellant’s Specification. As noted above, Appellant discloses several methods of fee exchange: payment can be “immediately (e.g. by *crediting to an account* identified by the media provider), or as one lump sum at the end of the month” (Specification 4:14-16)(emphasis supplied); or “*all [prior art] systems can generally be employed*”, (Specification 5:26-28)(emphasis supplied). The latter method necessarily includes the prior art systems of Kenner. Consequently, we further find that even if “exchanging a fee”

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<sup>1</sup> Compare this teaching in Kenner with the exchange of fees described by the Examiner (Answer 8).



requires “paying”, the specification does not distinguish paying from “crediting an account”. *Cf. American Academy*, 367 F.3d at 1369 (the specification does not limit the claim merely because a term is used in a preferred embodiment).

Moreover, because Kenner discloses payment by any known payment arrangements (col. 6, ll. 19-26), even if “exchanging a fee” requires that funds be transferred before the video transmittal, the claim would be met. Appellant has not argued that he invented the method of paying before products are delivered, or that that method is unknown. Consequently, for the reasons noted above, we find that within the metes and bounds of Kenner is the disclosure of the method of exchanging a fee before or after a video is transmitted.

The rejection of claim 1 is sustained. The rejection of claims 2 and 8 is not separately argued and, thus, these claims fall together with claim 1 on which they depend. The rejection of claims 2 and 8 is sustained.

### **Claims 3-4, 7, and 9**

The limitation in dispute in claim 3 is “watermarking the video with at least two data from said list,” while the limitation in dispute in claim 4 is watermarking the video with at least three data from said list.” The Examiner and Appellant agree that watermarking with “an identifier of the consumer” is disclosed in Kenner. That is, Kenner discloses that “data derived from the user’s ID will be added to the video data ... thereby watermarking the file” (col. 25, ll. 64-67; Answer 4; App. Br. 9).

Thus, the dispute is whether an additional one (Claim 3) or two (Claim 4) of the three following data are suggested by Kenner with Moskowitz, an identifier of an internet site from which the selected video is provided (Claim 7), and an identifier of an internet address to which the selected video is transmitted (Claim 9) (App. Br. 9, 11).

We agree with the relevant factual findings by the Examiner to support the rejection which are summarized as follows: Kenner discloses watermarking the video with “data derived from the user’s ID” (col. 25, ll. 64-67; Answer 4). Kenner discloses “address[ing] the desired video clip with the Internet address of the user’s local [storage unit] (col. 25, ll. 23-26; Answer 5). Moskowitz discloses watermarking can include various fields of data including “authorized purchaser identification,” “seller account identification,” “payment means identification,” “digitally signed information from [a] sender indicating percent of content transferred,” and “digitally signed information from [a] receiver indicating percent of content transferred” (col. 9, ll. 1-16). Moskowitz also discloses watermarking with “information on where to locate other copies of this content, or similar content” ( col. 9, ll. 31-32). Moskowitz also discloses that “a watermark might contain one or more URLs<sup>2</sup> describing online sites where similar content that the buyer of a piece of content might be interested in can be found” (col. 9, ll. 36-39). (See Answer 4-7).

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<sup>2</sup> We interpret “URL” to be an identifier of an internet site which is in accordance with the Examiner’s and Appellant’s interpretation (see Answer 4).

We also note that Moskowitz discloses watermarking to protect digitized copyrightable multimedia works, such as musical recordings, movies and videos games (col. 1, ll. 6-12). “The watermarks can also serve to allow for secured metering and support of other distribution systems of given media content and relevant information associated with them, including addresses, protocols, billing, pricing or distribution path parameters, among the many things that could constitute a watermark.” (Moskowitz, col. 1, ll. 15-21).

Further, Moskowitz discloses that the prior art shortcomings include the following:

No provisions are made for stamping given audio signals or other digital signals with “purchaser” or publisher information to stamp the individual piece of content in a manner similar to the sales of physical media products (CDs, CD-ROMs, etc.) or other products in general (pizza delivery, direct mail purchases, etc.) In other words, “interval-defining signals,” as described in the Greenberg patent, are important for verification of broadcasts of a time-based commodity like a time and date-specific, reserved broadcast time, but have little use for individuals trying to specify distribution paths, pricing, or protect copyrights relating to given content which may be used repeatedly by consumers for many years. It would also lack any provisions for the serialization and identification of individual copies of media content as it can be distributed or exchanged on the Internet or in other on-line systems.

(Moskowitz, col. 10, ll. 4-20).

Similar to the reason for watermarking disclosed above by Moskowitz - the protection of copyrights - Kenner discloses that “watermarking enables

authorities to track down copyright violators” (col. 26, ll. 10-11).

Appellant argues that because the specific information of the Internet site from and to which the video is transmitted is not specifically mentioned as part of the watermark, the Examiner has not made a prima facie case of obviousness (App. Br. 9-10). We disagree, and find support for the Examiner’s articulated reasons, as recited above, to employ the claimed internet site data in a watermark. The main factors supporting the reasoning are that the prior art discloses employing: internet sites for video transmission; watermarks containing a myriad of information such as addresses, protocols, and distribution path parameters to identify the purchasers, sellers, and media content; and URL sites as a type of data to include in a watermark in order to identify where to obtain videos of the same or similar content. The prior art also suggests stamping transmitted video content to help to identify specific distribution paths, similar to sales of physical media, and to help keep track of the particular transaction for both billing and for copyright protection. At a minimum, keeping track of the distribution path data for copyright or billing purposes suggests keeping track of the starting and end points of that distribution path which in this prior art of record are the websites of the purchasers and sellers. Employing helpful identifying transactional data in a watermark would have been obvious given the desire “to stamp the individual content in a manner similar to the sales of physical media.” (Moskowitz, col. 10, lines 4-10).

Consequently, we find that the Examiner’s articulated reasons shifted the burden to Appellant to show that he did more than combine known prior

art data resulting in more than a predictable result of enhanced copyright protection, product tracking, or billing, which he has failed to do. *KSR*, 127 S.Ct. at 1739 (“The combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.”). Accordingly, we sustain the obviousness rejection of claims 3-4, 7 and 9.

### **Claims 5-6**

The limitation at dispute in claim 5 is “watermarking the video with all four data from said list,” and for claim 6 is “watermarking with an identifier of the date.” Appellant argues that Fridrich employs date data in a watermark for a different purpose than that asserted by the Examiner (App. Br. 12-13), or as required by claim 6 (Reply Br. 5).

Appellant’s arguments (App. Br. 12, Reply Br. 5) imply claims 5-6 require a “date of purchase.” We disagree. We agree with the Examiner’s articulated reason of identifying a date for use with other data to track down copyright violators (Answer 7, Final Rejection 6)<sup>3</sup>. Appellant acknowledges that the reason for a date watermark employed by Fridrich is to help the recipient confirm or rebut the authenticity of the content (App. Br. 12). We find this to be virtually the same reason as that argued by the Examiner (Answer 7), as Fridrich discloses that ensuring authenticity includes protecting property rights such as copyright (col. 1, ll. 30-40). This similar authenticity or copyright reason is also articulated by Kenner and

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<sup>3</sup> We also note that Kenner at column 22, lines 6-10 discloses a log for time and date information in order to keep track of billing information.

Moskowitz. *See* Kenner (“watermarking enables authorities to track down copyright violators”) (col. 26, ll. 10-11); Moskowitz (identifying a date of a notarization may help to authenticate the video content for copyright purposes; also disclosing “time stamps” in the prior art and expressing a desire “to stamp the individual content in a manner similar to the sales of physical media” to specify distribution paths, and for pricing, and serialization purposes, and to protect copyrights )(col. 9, l. 40 to col. 10, l. 24).

We find the Examiner’s articulated reasoning in the rejection possesses a rational underpinning to support the legal conclusion of obviousness. *See In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006). We also find that the Examiner has met the burden of presenting a prima facie case, which burden the Appellant has failed to overcome with argument and/or evidence. *See In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992).

As “a court must ask whether the improvement is more than the predictable use of prior art elements according to their established functions,” *KSR Int’l Co. v. Teleflex Inc.*, 127 S.Ct. 1727, 40 (2007), we find that Appellant has not shown that there is more than a predictable result flowing from the addition of time and internet site data to watermarks on transmitted videos, where watermarks with similar data on transmitted videos are well known; the predictable result being the existence of more information with which to track more closely an internet transaction for a myriad of articulated desirable prior art reasons, such as copyright protection

or other business related reasons such as distribution tracking and pricing. Accordingly, the rejection of claims 5-6 is sustained.

#### STATEMENT OF CONCERN

Finally, we note that the data involved in claims 2-9 may constitute non-functional descriptive material, because the data does not alter how the process is performed. “Nonfunctional descriptive material cannot render nonobvious an invention that would have otherwise been obvious.” *In re Ngai*, 367 F.3d 1336, 1339, (Fed. Cir. 2004). *Cf. In re Gulack*, 703 F.2d 1381, 1385 (Fed. Cir. 1983) (when descriptive material is not functionally related to the substrate, the descriptive material will not distinguish the invention from the prior art in terms of patentability).” *Ex parte Curry*, 84 USPQ2d 1272, 1274 (BPAI 2005)((Informative Opinion) (Affirmed, Rule 36, Fed. Cir., slip op. 06-1003, June 2006)(“We find that the “wellness-related” data in the databases and communicated on the distributed network does not functionally change either the data storage system or communication system used in the method of claim 81”)). However, since the issue was not argued, we address it no further.

#### CONCLUSION

The rejections of claims 1-9 are affirmed.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a)(1)(iv) (2006).

Appeal 2007-2628  
Application 09/804,679

AFFIRMED

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DIGIMARC CORPORATION  
9405 SW GEMINI DRIVE  
BEAVERTON OR 97008